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INTRODUCTION

The Office of Internal Audit performed an audit of the Taylor District for the period October 1, 1999 through January 21, 2000. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that agency assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. The Taylor District had 71 full time equated positions (FTE's) at the time of our audit. The Taylor District provided assistance to an average 9,442 recipients per month during FY 1998, with total assistance payments of \$14,140,423 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Taylor District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
Accounts Receivable	General Ledger
Safe and Controlled Documents	Medical Transportation
State Emergency Relief (SER)	Employment Support Services
Client Processing	CIS/ASSIST
IRS Information Security	Payroll and Timekeeping
Procurement Card	Telephone Usage
Child Well Being	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Taylor District internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. However, we found a few instances where the Taylor District was not operating in accordance with instructions provided in Agency Manuals and Instructional Letters, or where internal controls could be improved.

DISTRICT RESPONSE

The Taylor District management has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated February 11, 2000 that they are in agreement with findings 1, 3, 4, 5, 6, and 7, and they disagree with findings 2, 8, and 9.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

FIA-61 Log Reconciliation

1. The Taylor District did not perform a weekly reconciliation of checks/warrants on hand to the open items on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. A weekly reconciliation is necessary for timely detection of any warrants/checks that are lost or stolen, and to ensure that all checks/warrants on hand are properly recorded on the FIA-61. We also noted that the posting of disposition information to the FIA-61 was not up-to-date. Keeping the posting up to date facilitates the reconciliation process.

WE RECOMMEND that the Taylor District perform a weekly reconciliation of checks/warrants on hand to the FIA-61, and keep posting of disposition information on the FIA-61 up-to-date.

Cash Disbursements

Sign-O-Meter Reconciliation

2. Taylor District did not document the reconciliation of the Sign-O-Meter Record (FIA-4711) with the Check Register, as required by Accounting Manual Item 410.1. Documentation that this reconciliation was performed is necessary to ensure that no checks go through the check signer that are accounted for in the accounting records.

WE RECOMMEND that the Taylor District retain the documentation of the reconciliation of the Sign-O-Meter Record with the Check Register.

Stamping Documents "PAID"

3. Taylor District did not stamp supporting documents "PAID" when payment was made. The Accounting Manual Items related to each payment type require that supporting documents be stamped "PAID." Stamping supporting documents "PAID" helps prevent duplicate payments.

WE RECOMMEND that the Taylor District stamp supporting documents "PAID" when payment is made.

Accounts Receivable

Reconciliation of the Automated Recoupment of Accounts Receivable

4. Taylor District did not reconcile the GH-280 and GH-380 reports on a monthly basis, as required by Accounting Manual Item 481. Reconciliation of these reports ensures that all moneys collected are accounted for and the clients' account balances are accurate.

WE RECOMMEND that the Taylor District reconcile the Automated Recoupment Reports.

Collection Letters/Income Tax Stops

5. The Taylor District had no documentation that collection letters had been sent or accounts had been submitted to the Department of Treasury for Income Tax stops for Accounts Receivable which had been written off. Accounting Manual Item 481.2 requires that

collection letters be sent and that uncorrectable accounts be referred to the Department of Treasury for Income Tax stops. Sending collection letters and referring uncorrectable accounts to the Department of Treasury helps to ensure that FIA collects the maximum amount possible on its account receivable.

WE RECOMMEND that the Taylor District send collection letters on accounts receivable and refer uncorrectable accounts to the Department of Treasury.

Repay Agreements

6. The Taylor District did not have repay agreements on file for all of its accounts receivable, as required by Accounting Manual Item 481.2. Maintaining repay agreements helps to ensure that FIA collects the maximum amount possible on its accounts receivable.

WE RECOMMEND that the Taylor District maintain repay agreements for all its accounts receivable.

General Ledger

No findings in this area.

Safe and Controlled Documents

No findings in this area.

Medical Transportation

No findings in this area.

State Emergency Relief

No findings in this area.

Employment Support Services

Proof of Vehicle Ownership for Car Repair

7. The Taylor District did not always verify vehicle ownership before authorizing car repairs, as required by Program Eligibility Manual (PEM) Item 232. We found two cases out of a sample of eight cases where there was no documentation that the worker verified that the client owned the car that was being repaired.

WE RECOMMEND that the Taylor District obtain documentation of vehicle ownership before authorizing car repairs.

Client Processing

MA-010 Reconciliation - Openings and Reopenings

8. The Taylor District did not reconcile a sample of all new case openings and reopenings listed on the MA-010 Report to the casefile documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciling a sample of openings and reopenings provides assurance that cases were opened only by their assigned Workers.

WE RECOMMEND that the Taylor District reconcile a sample of case openings and reopenings on the MA-010 Report to the FIA-3614's.

CIS/ASSIST

No findings in this area.

IRS Information Security

No findings in this area.

Payroll and Timekeeping

Payroll Record and Retention

9. The Taylor District timekeeper maintained the certified copy of the HR-332A. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that the Taylor District have the certifier or someone other than the timekeeper retain the HR-332A.

Procurement Card

No findings in this area.

Telephone Usage

No findings in this area.

Child Well Being

No findings in this area.